

NEVADA STATE BOARD OF MEDICAL EXAMINERS
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
JUNE 30, 2005 AND 2004

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
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JUNE 30, 2005 AND 2004**

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INDEPENDENT AUDITORS' REPORT

Board Members

Nevada State Board of Medical Examiners
Reno, Nevada

We have audited the accompanying basic financial statements of the Nevada State Board of Medical Examiners (a state agency) as of and for the years ended June 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Nevada State Board of Medical Examiners' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nevada State Board of Medical Examiners as of June 30, 2005 and 2004, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages three through seven is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Nevada State Board of Medical Examiners' basic financial statements. The other supplementary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Solari and Sturmer, LLC

August 5, 2005

Management's Discussion and Analysis

Within this section of the Nevada State Board of Medical Examiners' (Board) annual financial report, the Board's management provides narrative discussion and analysis of the financial activities of the Board for the fiscal year ended June 30, 2005. The Board's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The Board's assets exceeded its liabilities by \$1,860,140 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$2,974,073 or a decrease of (37%).
- Total Assets include cash, capital assets, net of accumulated depreciation and other assets. This represents an increase of \$796,699 or 18%
- Total liabilities, which include deferred revenue of the Board, increased by \$1,910,632 to \$3,368,565 or 131% during the fiscal year.
- Total net assets are comprised of the following:
 1. Capital assets include property and equipment.
 2. Unrestricted net assets of \$1,430,063 represent the portion available to maintain the Board's continuing obligations and operations.
- During the current year the operating expenses were \$2,848,349.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Board's basic financial statements, which include: 1. The basic financial statements and 2. Notes to the financial statements. The Board also includes in this report additional information to supplement the basic financial statements.

Board's Financial Statements

The financial report for the general fund uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these statements is the Balance Sheet. This is the Board's statement of position presenting information that includes all of the Board's assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Board as a whole is improving or deteriorating.

The second statement is the Statement of Revenues, Expenses and Changes in Net Assets which reports how the Board's net assets changed during the current fiscal year. All current year revenues are the result of the recognition of previously received cash, and expenses are included regardless of when cash is paid. An important purpose of the design of the statement of revenues, expenses and changes in net assets is to show the financial reliance of the Board's distinct activities or functions on revenues provided by the licensing process.

The third statement is the Statement of Cash Flows. This outlines the changes in cash balances. The changes consist of cash receipts and payments for the current year by category.

The financial statements reflect operations of the Board that are principally supported from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The Board's activities include the regulation and licensing of various medical related fields which include medical doctors, physician assistants and respiratory therapists.

The accompanying notes to the financial statements provide information essential to a full understanding of the Board's financial statements. The notes to the financial statements begin immediately following the basic financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required other supplementary information which includes a budget to actual comparison schedule using the format from the statement of revenues, expenses, and changes in net assets.

Financial Analysis of the Board as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Board as a whole.

The Board's net assets at fiscal year-end are \$1,860,140. This is a \$1,113,933 decrease from last year's net assets of \$2,974,073. The following table provides a summary of the Board's net assets:

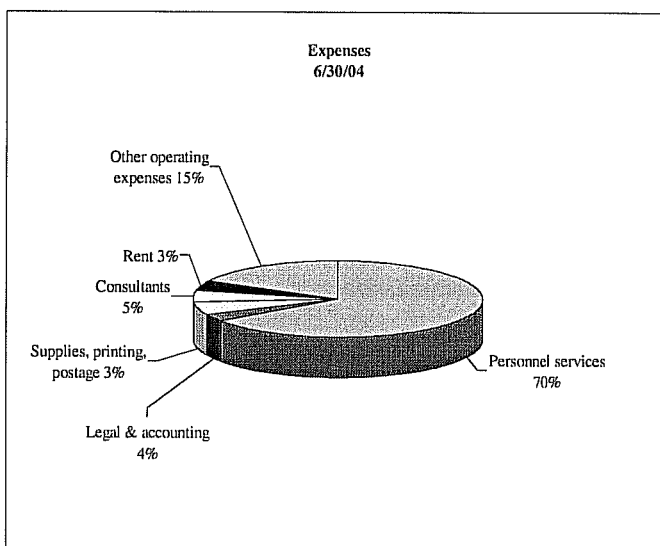
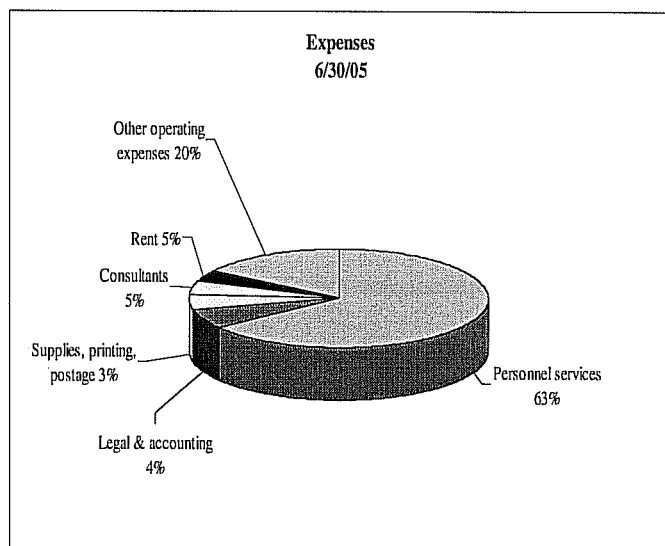
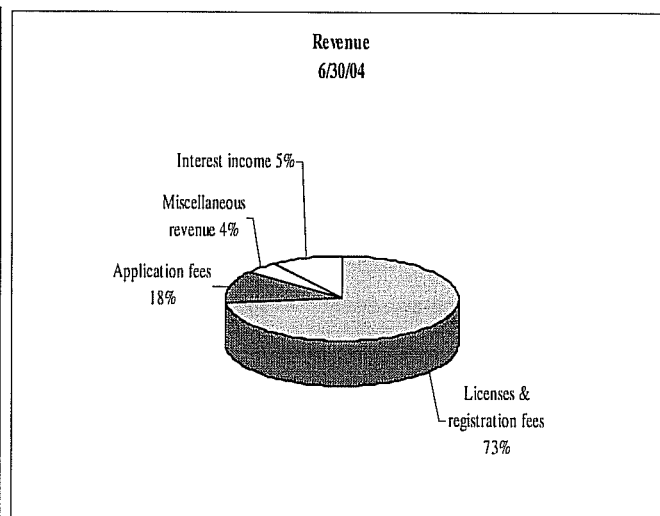
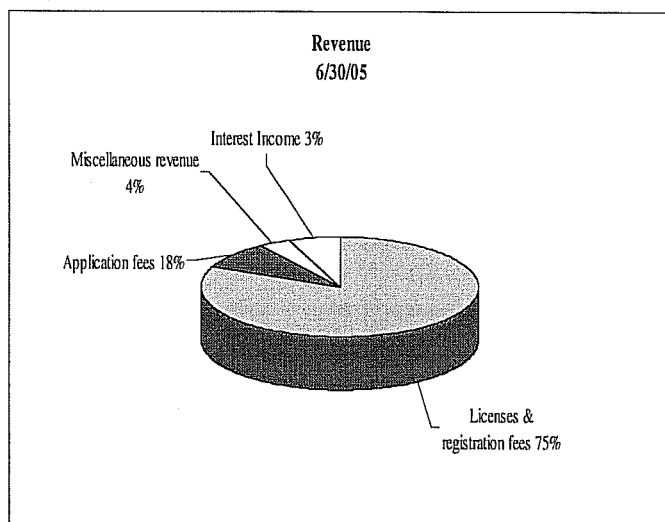
Summary of Net Assets				
	<u>2005</u>	<u>2004</u>	<u>Amount</u> <u>Change</u>	<u>%</u> <u>Change</u>
Current and other assets	\$ 4,938,931	\$ 4,153,122	\$ 785,809	19%
Capital assets, net of A/D	289,774	278,884	10,890	4%
Total assets	<u>5,228,705</u>	<u>4,432,006</u>	<u>796,699</u>	18%
Current liabilities	<u>3,368,565</u>	<u>1,457,933</u>	<u>1,910,632</u>	131%
Total liabilities	<u>3,368,565</u>	<u>1,457,933</u>	<u>1,910,632</u>	131%
Net Assets				
Invested in capital assets	430,077	347,699	82,378	24%
Unrestricted	<u>1,430,063</u>	<u>2,626,374</u>	<u>(1,196,311)</u>	(46%)
Total net assets	<u>\$ 1,860,140</u>	<u>\$ 2,974,073</u>	<u>\$ (1,113,933)</u>	(37%)

Market performance continues to be a concern to the Board. The safeguarding and maintenance of the Board's most liquid assets is a priority. Investment income is also a component of the resources funding the Board's continuing operations. As market pressures continued, investment performance declined during the 2005 fiscal year.

For the fiscal year ending June 30, 2005, losses increased to (\$1,113,933) from (\$703,931) in the prior year. This decline was expected due to the anticipated increased expenses for office expansions and additional staffing. During the current fiscal year there were investigative procedural changes which significantly increased the number of investigations and the related costs.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the Board's changes in net assets:

Summary of Changes in Net Assets				
	<u>2005</u>	<u>2004</u>	<u>Amount</u> <u>Change</u>	<u>%</u> <u>Change</u>
Revenues	\$ 1,675,880	\$ 1,600,706	\$ 75,174	5%
Expenses personnel	1,805,125	1,638,859	166,266	10%
Operations	1,043,224	743,520	299,704	40%
Total expenses	2,848,349	2,382,379	465,970	20%
Interest income	58,536	77,742	(19,206)	(25%)
Change in net assets	(1,113,933)	(703,931)	(410,002)	58%
Beginning net assets	2,974,073	3,678,004	(703,931)	(19%)
Ending net assets	\$ 1,860,140	\$ 2,974,073	\$ (1,113,933)	(37%)



Financial Analysis of the Board's Funds

The Board's operating fund decreased by (\$1,113,933), as a result of an increase in operating costs. The increase of operating costs is due to procedural changes in investigations, increased hearings and legal matters. With additional staffing, we required more office space in Reno and an additional office in Las Vegas for the use of legal and investigation interviews. The increase does not reflect the purchase of capital equipment. Licensing revenues have increased due to the continued population growth in the State of Nevada.

Budgetary Highlights

The Board's budget for fiscal year 2005 was approximately \$2 million. Revenues exceeded the budget by \$102,280. Operating expenses were lower than budgeted by \$615,151. The Board's budget was not amended during the year.

The Board's budget included appropriations of prior years' accumulated fund balance in support of the Board's plan for unknown contingencies, facility repair and equipment maintenance and replacement.

The budget also included additional costs for legal fees and investigations in relation to the increase in the number of cases processed by the Board.

Capital assets

The Board's investment in capital assets, net of accumulated depreciation as of June 30, 2005 and June 30, 2004 was \$289,774 and \$278,884, respectively. The increase was 4%. Capital asset additions during the current fiscal year included computers and office equipment of \$82,378.

Capital Assets Net of Accumulated Depreciation

	<u>2005</u>	<u>2004</u>	<u>% Change</u>
Depreciable Assets:			
Leasehold improvements	\$ 6,851	\$ -	100%
Furniture and equipment	155,874	115,651	35%
Computers, software, and printers	<u>127,049</u>	<u>163,233</u>	(22%)
Total capital assets	\$ <u>289,774</u>	\$ <u>278,884</u>	4%

Economic Environment and Next Year's Budgets and Rates

The Board increased the budget for personnel expense for the current year to cover the cost of hiring additional investigators, licensing specialists and legal counsel, and to cover the cost of replacement and training of key employees.

The Board has been forced to use already accumulated funds, due to lower licensing fees and increasing costs. The intent of the 2004-2005 budget was to have less than \$1,500,000 left in unrestricted net assets (deemed an appropriate and prudent balance to cover any unexpected contingencies); this goal has been met.

Licensing fees were increased for the next renewal period to compensate for the additional operating expenses. The Board aims to retain as a surplus, approximately 9 months operating expenses.

The Board continues to see increased license applications, increased investigation files being opened, and increased prosecutions for violations of the Medical Practice Act by licensees. As the state continues to grow, so too does the business of the Board.

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
BALANCE SHEETS - PROPRIETARY FUND
JUNE 30, 2005 AND 2004**

ASSETS

	<u>2005</u>	<u>2004</u>
CURRENT ASSETS		
Cash (Note B)	\$ 1,471,381	\$ 1,844,822
Short-term investments (Note C)	<u>3,437,000</u>	<u>2,285,000</u>
Total current assets	4,908,381	4,129,822
CAPITAL ASSETS, net (Note D)	289,774	278,884
OTHER ASSETS		
Prepaid expenses	<u>30,550</u>	<u>23,300</u>
Total assets	<u><u>\$ 5,228,705</u></u>	<u><u>\$ 4,432,006</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 20,087	\$ 40,015
Accrued compensated absences and other liabilities	90,592	60,978
Deferred revenue (Note E)	<u>3,257,886</u>	<u>1,356,940</u>
Total current liabilities	<u>3,368,565</u>	<u>1,457,933</u>
NET ASSETS		
Invested in capital assets	430,077	347,699
Unrestricted net assets	<u>1,430,063</u>	<u>2,626,374</u>
Total net assets	<u>1,860,140</u>	<u>2,974,073</u>
Total liabilities and net assets	<u><u>\$ 5,228,705</u></u>	<u><u>\$ 4,432,006</u></u>

See accompanying notes

NEVADA STATE BOARD OF MEDICAL EXAMINERS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
OPERATING REVENUE		
Licenses and registration fees	\$ 1,325,308	\$ 1,226,044
Application fees	290,150	310,100
Miscellaneous revenue	60,422	64,562
Total operating revenue	<u>1,675,880</u>	<u>1,600,706</u>
OPERATING EXPENSES		
Personnel services	1,805,125	1,638,859
Investigation	184,184	56,888
Rent	134,604	83,065
Diversion program	110,000	110,000
Legal and accounting	108,377	94,384
Operating supplies, printing and postage	98,047	94,473
Travel	80,702	55,322
Depreciation expense	71,488	48,985
Advertising	70,124	60,660
Maintenance	44,449	44,151
Telephone	35,905	32,214
Hearing officers	35,823	11,477
Equipment rental	23,291	24,240
Host fund	22,689	18,496
Dues and registrations	12,271	8,665
Insurance	6,945	500
Education and training	4,325	-
Total operating expenses	<u>2,848,349</u>	<u>2,382,379</u>
Operating (loss)	(1,172,469)	(781,673)
NON-OPERATING REVENUES		
Interest income	<u>58,536</u>	<u>77,742</u>
Change in net assets	(1,113,933)	(703,931)
TOTAL NET ASSETS, beginning	<u>2,974,073</u>	<u>3,678,004</u>
TOTAL NET ASSETS, ending	<u><u>\$ 1,860,140</u></u>	<u><u>\$ 2,974,073</u></u>

See accompanying notes

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	\$ 3,692,915	\$ 994,765
Payments for operating expenses	(1,115,230)	(761,453)
Payments for personnel services	<u>(1,775,284)</u>	<u>(1,635,840)</u>
Net cash provided (used) by operating activities	<u>802,401</u>	<u>(1,402,528)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	58,536	77,742
Proceeds from certificates of deposit	1,092,000	2,494,000
Purchases of certificates of deposit	<u>(2,244,000)</u>	<u>(1,689,000)</u>
Net cash provided (used) by investing activities	<u>(1,093,464)</u>	<u>882,742</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisitions of capital assets	<u>(82,378)</u>	<u>(155,130)</u>
NET DECREASE IN CASH	(373,441)	(674,916)
CASH BALANCES - BEGINNING	<u>1,844,822</u>	<u>2,519,738</u>
CASH BALANCES - ENDING	<u><u>\$ 1,471,381</u></u>	<u><u>\$ 1,844,822</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
OPERATING LOSS	\$ (1,172,469)	\$ (781,673)
Adjustments to reconcile operating income (loss) to net cash flow from operating activities		
Depreciation expense	71,488	48,985
Change in assets and liabilities:		
Prepaid expenses	(7,250)	(6,896)
Deferred revenue	1,900,946	(686,994)
Accounts payable	(19,928)	16,033
Accrued liabilities	<u>29,614</u>	<u>8,017</u>
Net cash provided (used) by operating activities	<u><u>\$ 802,401</u></u>	<u><u>\$ (1,402,528)</u></u>

See accompanying notes

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nevada State Board of Medical Examiners (the Board) was established by Nevada Revised Statutes to function as an independent government agency. The Board is the licensing and regulatory agency for physicians, physician assistants and respiratory therapists in the State of Nevada.

The financial statements of the Board have been prepared in accordance with U.S. generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for establishing governmental accounting and financial reporting principles.

A summary of the Board's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Reporting Entity

The Board reports its financial condition on an annual basis to the State of Nevada, Department of Administration. The Board's financial statements are not included in the basic financial statements of the State of Nevada.

2. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Board uses a proprietary fund to account for its financial position and results of operations. Proprietary fund types are used to account for activities conducted on a fee-for-service basis in a manner similar to commercial enterprises. The measurement focus is upon determination of net income, financial position and changes in cash flows.

The Board applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The Board maintains its accounting records on an economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the Board. The primary sources of revenue are licensing, registration and application fees from physicians, physician assistants and respiratory therapists, and revenue from miscellaneous sources. Miscellaneous revenues are composed of fees charged for copy requests, letters of verification, physician listings, label requests, and legal fee recoveries. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets.

(Continued)

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Other revenues and expenses are classified as non-operating in the financial statements. The primary source of non-operating revenue is interest income. There are generally no non-operating expenses.

3. Budgetary Data

Formal budgetary accounting is employed as a management control. Annual operating budgets are adopted each fiscal year by the Board. The budget is prepared using the same generally accepted accounting principles used in preparing the financial statements.

4. Comparative Data

Comparative data for the prior year have been presented in the accompanying financial statements to provide an understanding of changes in Nevada State Board of Medical Examiners' financial position and operations.

5. Cash, Cash Equivalents and Short-Term Investments

Cash and investments are carried at cost, which approximates market value. The carrying amounts of cash and investments are separately presented on the balance sheets as "cash" and "short-term investments" (certificates of deposit).

The balances in the cash accounts are available to meet current operating requirements and are readily identifiable. Cash in excess of current requirements is invested in various interest-bearing investment accounts as allowed by NRS 630.110.4(a).

Interest is accrued on short-term investments at year-end as the short-term investments are generally held to maturity.

6. Capital Assets

Equipment, furniture, and fixtures purchased by the Board are presented in the balance sheets as capital assets. Depreciation is determined using the straight-line method based upon the estimated useful lives of the assets, generally estimated as follows: furniture and fixtures, seven years and computers, computer software and equipment, five years. The policy of the Board is to capitalize acquisitions over \$500. Repairs and maintenance, which are not considered betterments and do not extend the useful life of the property are charged to expense as incurred. When property is retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting gain or loss on disposition is reflected in non-operating revenues.

(Continued)

NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Compensated Absences

Employees of the Board, depending on job classification, length of service and other factors, are entitled to paid vacations at the employees' standard hourly compensation rates. An accrual for accumulated and vested vacation (compensated absences) has been established as a liability in the accompanying financial statements.

It is the Board's policy to recognize the costs for sick days and other absences when taken by employees.

8. Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH

Cash consisted of the following as of June 30:

	<u>2005</u>	<u>2004</u>
Checking and money market accounts	\$ 1,471,181	\$ 1,844,622
Cash on hand	<u>200</u>	<u>200</u>
Total cash	<u>\$ 1,471,381</u>	<u>\$ 1,844,822</u>

The following is a summary of the total insured, collateralized, and uninsured cash balances as of June 30:

	<u>2005</u>	<u>2004</u>
Total cash held in Wells Fargo Bank	\$ 1,536,036	\$ 1,844,622
Portion insured by FDIC	(100,000)	(100,000)
Portion collateralized by Wells Fargo Bank	<u>(1,571,381)</u>	<u>(2,716,419)</u>
Uninsured cash balances	<u>\$ -</u>	<u>\$ -</u>

Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Wells Fargo's collateralized balances are increased throughout the year to safeguard balances in excess of FDIC coverage.

NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE C - SHORT-TERM INVESTMENTS

Short-term investments consist of the following as of June 30:

	<u>2005</u>	<u>2004</u>
Wells Fargo Investments		
Time certificates of deposit	<u>\$ 3,437,000</u>	<u>\$ 2,285,000</u>

The following is a summary of the insured and uninsured short-term investments balances as of June 30:

	<u>2005</u>	<u>2004</u>
Total short-term investments	\$ 3,437,000	\$ 2,285,000
Portion insured by FDIC	(2,737,000)	(1,600,000)
Government backed investments	<u>(1,400,000)</u>	<u>(700,000)</u>
Uninsured short-term investments	<u>\$ -</u>	<u>\$ -</u>

By provisions of statutes, the Board is authorized to deposit all money in banks or savings and loan associations located in the State of Nevada.

NOTE D - CAPITAL ASSETS

Capital assets consisted of the following as of June 30:

	<u>2005</u>	<u>2004</u>
Furniture and equipment	\$ 197,986	\$ 130,425
Leasehold improvements	8,625	-
Computers, software and printers	<u>223,466</u>	<u>217,274</u>
	430,077	347,699
Less: accumulated depreciation	<u>(140,303)</u>	<u>(68,815)</u>
	<u>\$ 289,774</u>	<u>\$ 278,884</u>

Acquisitions for the years ended June 30, 2005 and 2004 were \$82,378 and \$155,130, respectively. There were no dispositions in either year. Depreciation expense for the years ended June 30, 2005 and 2004 was \$71,488 and \$48,985, respectively.

NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

NOTE E – DEFERRED REVENUE

The Board administers its licensing registration on biennial periods. Deferred revenue represents revenue from the biennial renewal of licenses and is recognized ratably over the renewal period.

NOTE F – PENSION PLAN

The Board is a public employer participating in the Public Employees Retirement System of the State of Nevada (PERS), a defined benefit cost sharing multiple-employer program. PERS administers retirement, disability, death benefits and survivor benefits to participating public employees of the State of Nevada. It operates under NRS 286. To obtain a copy of the PERS annual financial report, contact the PERS office at 693 West Nye Lane, Carson City, Nevada 89703.

All full-time employees of the Board are covered by PERS. Regular employees are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service or at any age with thirty years of service. In the event that an employee retires early there is a 4% benefit reduction for each full year of early retirement. Participants are eligible for benefits of 75%-90% of average compensation, based on years of service and age at retirement. An employee is fully vested after five years of creditable service and entitled to benefits for which they are eligible.

Member contribution rates are established by statute. The statute provides for yearly increases of up to 1% until such time as the actuarially determined unfunded liability of the plan is reduced to zero. These increases are based on the percentage increase in taxable revenues over the base year of 1983. The Board is enrolled in both the employer paid contribution plan and the employer/employee paid contribution plan of PERS. The contribution rate for the employer paid contribution plan during the years ended June 30, 2005, 2004, and 2003 were 20.25%, 20.25%, and 18.75%, respectively, for regular employees on all covered payroll. The contributions made on behalf of Board employees for the years ended June 30, 2005, 2004, and 2003 were \$187,134 \$214,812, and \$159,461, respectively. The contribution rate under the employer/employee paid contribution plan during the years ended June 30, 2005 and 2004 year was 10.5%. The contributions made on behalf of Board employees for the years ended June 30, 2005 and 2004 were \$27,643 and \$3,544, respectively, the contributions made by employees for the years ended June 30, 2005 and 2004 were also \$27,643 and \$3,544, respectively.

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

NOTE G - OPERATING LEASE

The Board leases office space in Reno under a contract expiring March 31, 2009. Rent expense will increase \$.05 per square foot on July 1, 2005 and \$.05 per square foot each year thereafter. The Board also leases office space in Las Vegas under a contract expiring February 28, 2010. Rent expense will increase \$.07 per square foot on January 1, 2006 and \$.07 per square foot each year thereafter. Rent expense for the years ending June 30, 2005 and 2004 was \$134,604 and \$83,065, respectively.

The following is a schedule, by years, of future minimum rental payments required under the operating leases for the years ending June 30:

2006	\$ 128,169
2007	133,101
2008	138,033
2009	108,122
2010	<u>2,436</u>
	<u>\$ 509,861</u>

NOTE H - RESTRICTED FUNDS AND RECOVERY OF EXPENSES

The Board at times has periodically received restricted funds in connection with physician settlement agreements whereby the physician agrees to remit amounts to the Board to be used for public protection, enforcement and public awareness efforts. During the year ended June 30, 2005 and 2004, no funds were received.

The Board also receives funds for recovery of costs incurred. Per NRS 630.352, if the Board finds that a violation by a physician has occurred, it may order the physician to reimburse to the Board all costs relating to the disciplinary proceedings. During the years ended June 30, 2005 and 2004, the Board recovered \$2,750 and \$10,268, respectively, relating to these costs.

NOTE I - INCOME TAXES

The Nevada State Board of Medical Examiners is a state agency and not subject to federal income taxes under Code Section 115(1), 1954 I.R.C.

**NEVADA STATE BOARD OF MEDICAL EXAMINERS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004**

NOTE J – HOST FUND

The host fund is comprised of expenses for quarterly State Medical Board meetings, quarterly Board Committee meetings and Federation of State Medical Board annual meetings. Retiring members of the Board receive an honorarium expensed from the fund. Host Fund expenses for the years ended June 30, 2005 and 2004 were \$22,689 and \$18,496, respectively.

OTHER SUPPLEMENTARY SCHEDULE

NEVADA STATE BOARD OF MEDICAL EXAMINERS
SCHEDULES OF REVENUES AND EXPENSES WITH BUDGET COMPARISON - PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005 ACTUAL	2005 BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	2004 ACTUAL	2004 BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATING REVENUES						
Licenses and registration fees	\$ 1,325,308	\$ 1,245,400	\$ 79,908	\$ 1,226,044	\$ 1,176,900	\$ 49,144
Application fees	290,150	258,200	31,950	310,100	193,200	116,900
Miscellaneous revenues	<u>60,422</u>	<u>70,000</u>	<u>(9,578)</u>	<u>64,562</u>	<u>70,000</u>	<u>(5,438)</u>
Total operating revenues	<u>1,675,880</u>	<u>1,573,600</u>	<u>102,280</u>	<u>1,600,706</u>	<u>1,440,100</u>	<u>160,606</u>
OPERATING EXPENSES						
Staff salaries	1,334,681	1,600,000	265,319	1,196,170	1,216,912	20,742
Retirement	214,777	249,500	34,723	218,669	249,500	30,831
Group health insurance	159,791	140,000	(19,791)	127,871	135,000	7,129
Payroll taxes	53,343	50,000	(3,343)	41,844	45,000	3,156
Board salaries	20,320	40,000	19,680	22,560	24,000	1,440
Secretary/treasurer salary	12,000	15,000	3,000	12,000	12,000	-
Personnel, other	10,213	30,000	19,787	19,746	-	(19,746)
Unallocated	-	100,000	100,000	-	75,000	75,000
Legal	79,601	150,000	70,399	43,269	150,000	106,731
Rent	134,604	120,000	(14,604)	83,065	95,000	11,935
Advertising	70,124	150,000	79,876	60,660	100,000	39,340
Postage	31,610	75,000	43,390	26,171	75,000	48,829
Investigation	184,184	60,000	(124,184)	56,888	60,000	3,112
Telephone	35,905	75,000	39,095	32,214	75,000	42,786
Travel	80,702	85,000	4,298	55,322	60,000	4,678
Operating supplies	53,167	60,000	6,833	47,310	40,000	(7,310)
Equipment rental	23,291	45,000	21,709	24,240	35,000	10,760
Hearing officers	35,823	50,000	14,177	11,477	50,000	38,523
Depreciation expense	71,488	-	(71,488)	48,985	-	(48,985)
Printing and copying	13,270	50,000	36,730	20,991	45,000	24,009
Accounting and audit	28,776	75,000	46,224	51,115	100,000	48,885
Host fund	22,689	20,000	(2,689)	18,496	10,500	(7,996)
Dues and registration	12,271	15,000	2,729	8,665	11,000	2,335
Office maintenance	18,072	20,000	1,928	10,595	20,000	9,405
Equipment maintenance	26,377	5,000	(21,377)	33,556	5,000	(28,556)
Insurance	6,945	9,000	2,055	500	7,500	7,000
Diversion program	110,000	150,000	40,000	110,000	110,000	-
Post grad-competancy	<u>4,325</u>	<u>25,000</u>	<u>20,675</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Total operating expenses	<u>2,848,349</u>	<u>3,463,500</u>	<u>615,151</u>	<u>2,382,379</u>	<u>2,906,412</u>	<u>524,033</u>
CAPITAL OUTLAY						
Office furniture and equipment	-	95,000	95,000	-	35,000	35,000
Computer-hardware and software	<u>-</u>	<u>130,000</u>	<u>130,000</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>
Total expenses	<u>2,848,349</u>	<u>3,688,500</u>	<u>840,151</u>	<u>2,382,379</u>	<u>3,016,412</u>	<u>634,033</u>
NON-OPERATING REVENUES						
Interest income	<u>58,536</u>	<u>88,000</u>	<u>(29,464)</u>	<u>77,742</u>	<u>88,000</u>	<u>(10,258)</u>
CHANGE IN NET ASSETS	<u>\$ (1,113,933)</u>	<u>\$ (2,026,900)</u>	<u>\$ 912,967</u>	<u>\$ (703,931)</u>	<u>\$ (1,488,312)</u>	<u>\$ 784,381</u>